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## Pet Products in Hong Kong

### 2021 Impact

#### COVID-19 Dampens Impulse Consumption in Other Pet Products

The majority of items in other pet products, such as toys and pet furniture rely predominantly on impulse consumption, with many sales of other pet products made while consumers are purchasing pet food products or on a whim while passing brick and mortar pet shop outlets. Impulse consumption has, however, been hindered since 2019 due to the impact of social unrest in Hong Kong followed by the restrictions and fear of infection that has shaped consumers' movements since the outbreak of COVID-19 in 2020. These factors have restricted store opening hours and have also led to a reduction in the number of outings that consumers are willing to take and will continue to do so in 2021 while the COVID-19 pandemic continues to shape consumption habits in Hong Kong.

During times of uncertainty and instability, consumers are also likely to restrict their spending on non-essential items, further restricting impulse consumption in other pet products, especially as the economic impact of COVID-19 will continue to be felt in 2021. As pet owners are not committed to the regular purchase of products such as those in other pet products, sales in this category are not perceived as essentials. The drop in impulse consumption has, however, been mitigated by the rise of e-commerce during the COVID-19 pandemic. In-home seclusion, some pet owners use e-commerce browsing and purchasing to fill their time, which will continue to support a higher level of sales through e-commerce in 2021 than in 2019 before the outbreak of COVID-19.

#### A.S. Watson Group Enters Pet Shops, Supporting Premiumization Trend in Pet Products

One of the biggest retailer groups in Hong Kong, the A.S. Watson Group entered pet shops at the end of the review period in 2019 with its Wats Petmacy outlets. In doing so, A.S. Watson Group shifted its focus away from the conventional mid-priced brands that are more popular in its supermarkets. Since the launch of its new premium outlets, Wats Petmacy has supported sales by strengthening its promotional activity in 2020 as well as engaging in a rapid expansion plan. The flagship Wats Petmacy outlet was opened in Tseung Kwan O, which is a largely residential district in Hong Kong, making it well-placed to respond to the everyday demand for products in pet care. The retail group has also opened 10 other smaller outlets linked to existing Watsons outlets in health and beauty specialist retailers.

#### COVID-19 Stems Short-term Boost of Hygiene Products

The COVID-19 pandemic will continue to support a short-term boost of hygiene products in pet products in 2021 as consumers look for ways of protecting themselves and their pets from COVID-19. This trend will continue to

### Highlights

- A major retail destination that is set to become a one-stop location for everything pet products, needs, and leisure activities signifies a booming pet product industry in the country.
- E-commerce sales are expected to drop slightly as Hong Kong consumers are expected to feel some pandemic fatigue and will be eager to return to their pre-COVID-19 habits such as store-based retailing.
- While e-commerce sales are expected to drop slightly, sales are expected to remain higher than before the COVID-19 pandemic due to the added convenience for consumers.
- Consumers demand more sophisticated pet products such as hygienic, biodegradable, and sustainable products

boost sales of sanitizers and cleaners that offer robust hygiene functions but present no harmful side effects to pets.

In hygiene, however, pet products will continue to face competition from non-pet care categories such as baby wipes and liquid soaps, as many non-pet care products (such as baby wipes, alcohol-free sanitizing spray, and gentle home care products) are also not harmful to pets.

Many of these products are also suitable for use around other vulnerable consumer groups such as consumers with long-term illnesses, pregnant women and children, and so many consumers may already use home care and hygiene products that are also safe for use around pets. JcoNAT, for example, is a domestic sterilization spray product that has become especially popular during the COVID-19 pandemic, with multiple benefits such as antibacterial and antiviral properties, anti-odor functions, and anti-allergy capabilities. This product also benefits from being a gentler product than many others that gained popularity during the COVID-19 pandemic, as the product is gentle on the skin and is safe for use around vulnerable consumers, children, and pets. The use of this product around pets continues to be a highlight used in advertising campaigns.

### RECOVERY AND OPPORTUNITIES

#### The Grand Opening of Petoyo Signifies a Booming Pet Economy in Hong Kong

Sales through shopping malls are expected to support continued strong sales in pet products over the forecast period, as many of the newer shopping malls such as Yoho Mall, D2 Place, The Mills, Mikiki, and Elements increased the number of pet shops and pet-oriented

events in their premises. These shopping malls have also lessened restrictions on allowing pets inside to demonstrate their recognition of the importance of the pet economy to business.

The biggest news in the development of the pet economy in Hong Kong, however, will come from the grand opening of Petoyo which is set to take place this year. When it opens, Petoyo will be the largest pet-themed shopping mall in Hong Kong, which will generate further interest in pet products over the forecast period.

Petoyo will be located in Tsim Sha Tsui (a city center location) and will occupy 100,000 sq ft over seven stories, and the major retail destination looks set to become a one-stop location including pet travel, pet department stores, pet supermarkets, catering services for both pets and owners, pet facial services, pet hotels, pet medical services, and even a pet school. This new retail environment will stimulate an expansion in the variety of pet products available in Hong Kong over the coming years, boosting pet product consumption. The new shopping mall will also lead by example, boosting the presence of more robust pet product offerings in other shopping malls, as well as prompting more shopping malls around Hong Kong to allow pets. Many shopping malls, for instance, will remove the need for pets to wear masks or be carried if they enter the premises, therefore mobilizing a more pet-friendly retail environment in the region over the forecast period. This will be a huge boost to the development of the pet economy in Hong Kong.

#### Cat Litter Companies Continue to Innovate as Consumers Demand More Sophisticated Products

At the end of the review period, it became clear that consumers in Hong Kong are increasingly willing to pay more for premium products in cat litter to deal with their cats' excretion and health more effectively. This shift in consumer demand will continue to stimulate premiumization in cat litter over the forecast period as companies will continue to improve their products and premium offerings to meet the demand for more sophisticated products. Cat litter sales will also benefit from a rise in the cat population over the forecast period as the COVID-19 pandemic prompted many consumers to get cats for companionship during home seclusion.

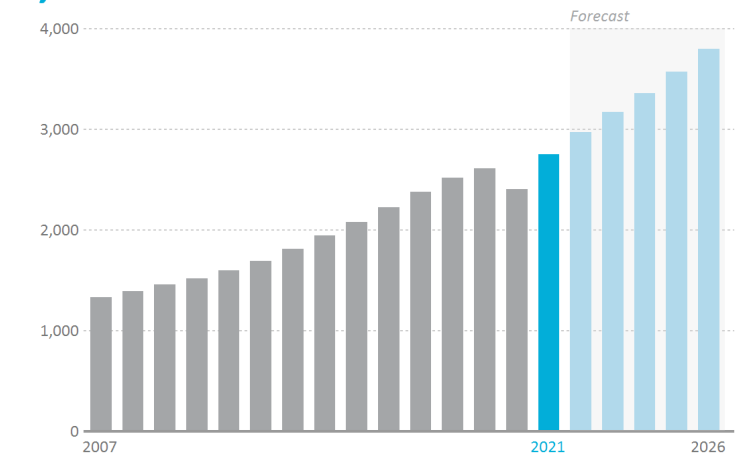
Royal Canin, for instance, will continue to gain ground in pet products over the forecast period thanks to new product development such as its new Blücare Hematuria Detection product which helps cat owners to monitor urinary problems in cats by detecting when blood is present in cat urine and turning cat litter blue when there is blood present. This product can be added to cat litter, and so is an easy way for cat owners to monitor their cats' health in conjunction with existing pet care processes.

Another key development that is expected to make its mark in cat litter over the forecast period is the sustainability trend. Japanese products, for instance, are expected to gain ground in Hong Kong in the coming years as many Japanese brands offer biodegradable and sustainable products with high odor control and a strong instant clumping effect, all of which appeal to modern pet owners in Hong Kong. Product innovation in cat litter will also focus on convenience and ease when handling, with Japanese brands also launching products that can be flushed in a toilet.

#### Sales of Pet Products in Hong Kong

Retail Value RSP - HKD million - Current - 2007-2026

2,743



#### The E-commerce Boom Passes its Peak

Although the COVID-19 pandemic accelerated e-commerce growth at the end of the review period, the COVID-19 boom in e-commerce will come to an end in the forecast period as the effects of the global pandemic are set to subside in Hong Kong. This is due in part to exciting developments in store-based retailing, such as the launch of Petoyo, which will win some customers back to brick and mortar sales. Furthermore, having remained in home seclusion for much of 2020 and 2021, consumers are expected to feel some pandemic fatigue and will be eager to return to their pre-COVID-19 habits such as store-based retailing. As such, the shopping experience and the mood-lifting aspect of retail will be an important factor in determining sales in the coming years, while e-commerce sales are expected to drop slightly, sales are expected to remain higher through e-commerce than before the outbreak of COVID-19 thanks to the added convenience of e-commerce sales.

Pet product purchases from the Chinese e-commerce platform Taobao (especially for non-essential items such as toys and furniture) are also expected to decline in the forecast period. These products were appealing to consumers at the end of the review period as they are cost-effective and the platform offers a wide variety of products, but local e-commerce in pet products will continue to grow in the coming years, offering a greater product variety. Local companies will also begin to offer more attractive and innovative products in the coming years to attract consumers with exciting new features. The COVID-19 pandemic has also prompted many pet shop players to expand into digital sales, which creates more competition for Taobao. ■

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